

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00

OMB-01 STR-04 SS-15 NSC-05 PRS-01 PA-01 SAM-01 /111 W
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R 291804Z NOV 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7482

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LISBON

AMEMBASSY MADRID

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LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 35243

E.O. 11652: N/A

TAGS: PLAB, FR

SUBJECT: JOB SECURITY, THE BARRE PLAN AND POLITICS

1. SUMMARY: BUSINESS AND LABOR CIRCLES WERE STIRRED IN THE LAST FEW DAYS BY STATEMENTS OF TWO OFFICIALS WHOSE MAIN POINT WAS THAT IT IS NOT GOOD ECONOMICS NOR PROPER WELFARE TO REQUIRE BUSINESS TO KEEP ON THE PAYROLL INDEFINITELY EXCESS PERSONNEL. THIS INITIATIVE SEEMS TO LEND SUPPORT TO RECENT REPORTS THAT GOF IS DELIBERATELY EMBARKING ON A FIRM POLICY TOWARDS THE UNIONS IN THE BELIEF THAT IT CANNOT LOSE. EITHER THE UNIONS WILL BE COMPELLED TO ACCEPT THE BARRE PLAN OR THEY WILL AGITATE AGAINST IT. IF THIS AGITATION GOES TOO FAR GOF CAN CALL SNAP ELECTIONS FOR A REPEAT PERFORMANCE OF THE 1968 ELECTIONS AFTER THE MAY EVENTS OF THAT YEAR. END SUMMARY.

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2. THE ONE OFFICIAL WAS THE PRESIDENT OF CNPF (NATIONAL EMPLOYERS ASSOCIATION) WHO FIRST IN AN INTERVIEW WITH THE REGIONAL DAILY OUST FRANCE AND THEN IN A RADIO INTERVIEW ARGUED THAT BUSINESS SHOULD BE ALLOWED TO LAY OFF PERSONNEL IF THESE ARE REDUNDANT BECAUSE THIS IS THE ONLY WAY BY WHICH ECONOMIC RATIONALITY CAN BE RESTORED IN FRANCE. CEYRAC WENT ON TO CRITICIZE THE PRACTICE OF MAKING IT DIFFICULT, IF NOT IMPOSSIBLE, FOR EMPLOYERS TO LAY OFF PERSONNEL IF BUSINESS WAS NOT GOOD AND CALLED FOR A MORE REALISTIC VIEW OF THE ADJUSTMENTS IN THE LABOR FORCE WHICH BUSINESS FLUCTUATIONS MAY DICTATE.

3. MINISTER OF LABOR CHRISTIAN BEULLAC, SPEAKING IN LYON ON 22 NOVEMBER, MADE THE SAME POINT ARGUING THAT THE LAYING OFF OF REDUNDANT EMPLOYEES IN A PERIOD OF BUSINESS DOWNTURN IS PART OF THE PROCESS OF EVENTUALLY RESUMING BUSINSFS ACTIVITY THROUGH INVESTMENTS.

4. ORGANIZED LABOR REACTED IMMEDIATELY. THE FIRST TO DO SO WAS SEGUY, SECRETARY GENERAL OF COMMUNIST-CONTROLLED CGT, WHO IN THE COURSE OF A SPEECH IN ST. ETIENNE ADDRESSING THE DELEGATES TO THE CGT METALWORKERS FEDERATION CONGRESS, REPEATED STANDARD CGT ALLEGATION THAT THERE IS A GOF-CNPF COLLUSION TO MAKE THE WORKING CLASS PAY FOR THE ANTI-INFLATION DRIVE THROUGH THE LOSS OF PURCHASING POWER AND INCREASED UNEMPLOYMENT. BERGERON, SECRETARY GENERAL OF FO, REACTED BY SAYING THAT THE WORKERS WILL NOT ACCEPT TO BE HANDLED AS PAWNS, TO BE KEPT WHEN BUSINESS IS GOOD BUT TO BE DISCARDED AT THE FIRST BUSINESS DOWNTURN. THE LEADERS OF THE OTHER FEDERATIONS WILL UNDOUBTEDLY FOLLOW SUIT TO PRODUCE ANOTHER FLURRY OF IDEOLOGICAL ACCUSATIONS AND ALLEGATIONS CONCERNING GOF AND CNPF INTENTIONS.

5. IT SEEMS UNLIKELY THAT THE HEAD OF THE CNPF AND THE LABOR MINISTER WOULD MAKE SUCH STATEMENTS PRACTICALLY THE SAME DAY BY ACCIDENT. NOR IS IT MORE LIKELY THAT BEULLAC NOTWITHSTANDING HIS LACK OF ANY LIMITED OFFICIAL USE

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POLITICAL EXPERIENCE (AND ACUMEN AS HIS DETRACTORS SUGGEST) WOULD HAVE TAKEN UPON HIMSELF TO QUESTION ESTABLISHED PROCEDURES AND CUSTOM ON JOB SECURITY MATTERS WITHOUT PRIOR CLEARANCE WITH MATIGNON. WE ARE WONDERING THEREFORE WHETHER THE CEYRAC-BEULLAC STATEMENTS SHOULD NOT BE SEEN AS THE FIRST CONCRETE ACTIONS OF AN ALLEGED GOF (READ BARRE) DECISION TO TIGHTEN THE ANTI-INFLATION PROGRAM AND TO ENFORCE

THE BARRE PLAN WITH VISIBLE DETERMINATION.

6. SOME OF THE REPORTS WE HAVE GOTTEN FROM VARIOUS SOURCES LATELY GO SO FAR AS TO SUGGEST THAT GOF WILL DELIBERATELY GO ABOUT RESISTING UNION PRESSURES AT THE RISK OF EVEN PROVOKING THE UNION LEADERS TO EITHER EXPLICITLY ACCEPT THE BARRE PLAN OR OPENLY DEFY IT. ACCORDING TO THESE REPORTS THE GOF IS PURSUING A

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DOUBLE OBJECTIVE THROUGH THIS STRATEGY OF FIRMNESS. IF THE RANK AND FILE PERSIST IN THE COMMON SENSE ATTITUDE THEY HAVE SHOWN IN THE LAST TWO OR THREE YEARS, AND THEREBY FRUSTRATE LABOR LEADERS' ATTEMPTS TO RESORT TO STRIKES AND DEMONSTRATIONS, OR FOR

REASONS OF THEIR OWN UNION LEADERS ABSTAIN FROM SUCH A COURSE, THE BARRE PLAN'S CHANCES OF SUCCESS WILL BE DRAMATICALLY ENHANCED. IF, HOWEVER, LABOR LEADERS AND ESPECIALLY THOSE OF CGT AND CFDT DECIDE TO CHALLENGE GOF AND SUCCEED IN MOBILIZING THEIR TROOPS FOR LARGE SCALE AND SUSTAINED AGITATION, GOF WILL HAVE THE OPTION OF CALLING SNAP LEGISLATIVE ELECTIONS.

7. IN OTHER WORDS, UNDER THE FIRST SCENARIO GOF REAPS THE IMMEDIATE ECONOMIC BENEFITS OF A WAGE LIMITED OFFICIAL USE

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RESTRAINT POLICY WHICH IN TIME CAN PAY POLITICAL DIVIDENDS AS WELL, WHILE UNDER THE SECOND SCENARIO GOF OBTAINS THE IMMEDIATE POLITICAL BENEFIT OF BEING ABLE TO CALL ELECTIONS UNDER CONDITIONS SIMILAR TO THOSE OF 1968 AFTER THE MAY EVENTS OF THAT YEAR WHICH GAVE THE MAJORITY SUCH A SUBSTANTIAL VICTORY.

8. THE CEYRAC-BEULLAC STATEMENTS LEND SUPPORT TO THE FOREGOING REPORTS AND SO DOES THE EXPERIENCE WITH A 55-DAY STRIKE IN THE PARIS SAVINGS AND LOAN ASSOCIATION (CAISSE D'EPARGNE) INVOLVING SOME 1,200 EMPLOYEES. FROM THE BEGINNING BARRE PERSONALLY HAD GIVEN INSTRUCTIONS THAT THERE WERE NO CONCESSIONS TO BE MADE TO THE UNION DEMAND THAT THE PAST YEAR'S BONUS BE CONVERTED TO A 14TH MONTHLY SALARY SO THAT IT CAN BE PAID EVEN IN NON-PROFITABLE YEARS LIKE 1976.

9. THE NEXT TEST OF GOF'S RESOLVE WILL COME BEFORE THE END OF THE YEAR WHEN A DECISION MUST BE MADE WITH REGARD TO THE LABOR CONTRACT IN THE GAS AND ELECTRICITY NATIONALIZED COMPANY (EDF-EGF) WHICH CONTAINS A 1971 CLAUSE PROVIDING FOR A MINIMUM OF 2 PER CENT ANNUAL INCREASE IN REAL WAGES. THIS IS COVERED IN SEPTEL IN WHICH FO'S POSITION ON THE BARRE PLAN IS ALSO DISCUSSED.

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